

**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Continue  
Implementation and Administration, and  
Consider Further Development of, California  
Renewables Portfolio Standard Program.

Rulemaking 15-02-020  
(Filed February 26, 2015)

**PACIFIC GAS AND ELECTRIC COMPANY'S REPLY COMMENTS ON ALJ RULING  
REQUESTING SUPPLEMENTAL COMMENT ON INTERCONNECTION ISSUES  
RELATED TO THE BIOENERGY FEED-IN TARIFF**

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Dated: June 3, 2016

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Pursuant to Ordering Paragraph 2 of the May 6, 2016 Administrative Law Judge’s Ruling Requesting Supplemental Comment on Interconnection Issues Related to the Bioenergy Feed-In Tariff under the California Renewables Portfolio Standard (“RPS”) and Stating Intention to Take Official Notice of Documents (the “Ruling”), Pacific Gas and Electric Company (“PG&E”) submits this reply to opening comments on the Ruling.

**I. INTRODUCTION**

The comments filed by parties on the Ruling boil down primarily to a factual dispute over one issue: Would the BAC Proposal<sup>1/</sup> increase the likelihood that BioMAT Projects utilizing forest biomass from High Hazard Zones (“HHZ”) fail to achieve commercial operation within the timeline required by the Bioenergy Market Adjusting Tariff (“BioMAT”) tariff?

The Bioenergy Association of California (“BAC”) and the Clean Coalition provide conclusory statements, without any factual support, that it will not. In contrast, PG&E provides

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<sup>1/</sup> Opening Comments of Bioenergy Association Of California’s Comments On Administrative Law Judge’s Ruling On The Staff Proposal To Implement The Governor’s Emergency Proclamation On Tree Mortality And Seeking Comment On The Staff Proposal, filed in R.15-02-020, Feb. 26, 2016, pp. 11-16.

below concrete facts, based on actual interconnection timelines for similarly situated projects, supporting PG&E's position that the BAC Proposal will threaten project viability. PG&E and the other investor-owned utilities ("IOUs") argue that while the BAC Proposal may reduce barriers for BioMAT projects to secure a power purchase agreement ("PPA"), any such benefit will be short-lived since many of these projects will likely fail to achieve the commercial operation date ("COD") requirement in the PPA. The end result is likely to be more frequent disputes between the IOUs and BioMAT project developers over responsibility for delays in interconnection, leading to further delays and increased costs rather than to solutions to the State's tree mortality emergency.

Should the California Public Utilities Commission ("Commission") determine it is necessary to make a special exception for BioMAT projects utilizing HHZ fuels, PG&E has set forth in its opening comments a more practicable alternative to the BAC Proposal that would mitigate the risks to project viability while addressing BAC's core concerns ("PG&E's Alternative Proposal").<sup>2/</sup>

## **II. THE BAC PROPOSAL WOULD CREATE A HIGH RISK THAT PROJECTS WILL FAIL TO ACHIEVE THE CONTRACTUAL DEADLINE FOR COMMERCIAL OPERATION**

PG&E strongly opposes BAC's and the Clean Coalition's assertions that it is reasonable for the IOUs to interconnect projects within 24 months of PPA execution.<sup>3/</sup> First, contrary to BAC's statements that the interconnection schedule is "completely dependent on the utility" and is "beyond the control of the project development team,"<sup>4/</sup> interconnection is a multi-phased process with many decision points and deadlines for which responsibility alternates between the

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<sup>2/</sup> PG&E Opening Comments, pp. 9-11.

<sup>3/</sup> BAC Opening Comments, p. 5; Clean Coalition Opening Comments, p. 6.

<sup>4/</sup> BAC Opening Comments, p. 5.

interconnection customer and the utility. Many of these steps are not exclusively in the IOU's control (*e.g.* security posting deadlines, negotiating Interconnection Agreement ("IA") terms, and signing agreements). A delay at any of these stages consequently pushes out deliverables that follow and thus lengthens the overall interconnection process.

In the past seven years, of the 39 bioenergy projects that have progressed through various stages of the distribution interconnection process, the average timeline to complete a System Impact Study and Facility Study under the Independent Study Process ("ISP") is over 14 months. Of this 14-month duration, on average, under eight months have been associated with timelines on PG&E-controlled tasks. The remaining six months have been tied to interconnection customer-controlled tasks, such as coordination of the results meeting, submission of study fees, and authorization to proceed to the next step in interconnection.

This 14-month historical average timeline to complete the ISP must be considered in addition to the average 18-month timeline to complete systems upgrades identified in the ISP for the bioenergy projects that PG&E has interconnected. Together, the historical average ISP and system upgrade timelines for bioenergy projects total over 32 months from the submission of an interconnection application to COD, much of which time is under the sole control of the developer and not PG&E. These historic data demonstrate the high risk that projects will face termination under BioMAT's 24-month COD deadline if the BAC Proposal is adopted.<sup>5/</sup> In contrast, under PG&E's Alternative Proposal, the 24-month COD timeline would not commence

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<sup>5/</sup> See San Diego Gas & Electric Company Opening Comments, p. 4 (stating that the BAC Proposal will "increase the likelihood of 'zombie' PPAs taking up program capacity with little chance of ever coming online" and may ultimately lead only to delay in addressing the tree mortality emergency); SCE Opening Comments, p. 7 (noting that the BAC Proposal may put the developer at risk of failing to meet the required commercial operation date).

= until the PPA becomes effective, which would only occur after the ISP process is complete.<sup>6/</sup>

In general, based on historical experience with similar projects, PG&E's Alternative Proposal should reduce the risk of project failure by providing additional time to complete any system upgrades identified in the studies.

BAC also asserts that interconnection is a small part of project development and that it is unreasonable for interconnection to take longer than the development of the rest of the project.<sup>7/</sup> While PG&E understands that there are many components of project development (e.g. financing, engineering and design, site control, land use permitting, equipment procurement, etc.), much of this groundwork is typically complete or well underway prior to PPA execution. Further, BAC fails to acknowledge that the IOUs are bound to interconnect projects safety and without discrimination in accordance with their interconnection tariffs.<sup>8/</sup>

In direct conflict with PG&E's historical data, and without any factual support, the Clean Coalition presents an interconnection timeline purporting to demonstrate that a BioMAT project could meet a COD deadline of 24 months from PPA execution.<sup>9/</sup> Clean Coalition's timeline suggests a project could receive an interconnection study within six months of application and an interconnection agreement ("IA") within roughly a year.<sup>10/</sup> Not only does this timeline assume the best case (and historically exceptional) scenario for the interconnection study process without any delay at any stage under the control of the developer, additionally, the timeline fails to

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<sup>6/</sup> AECA proposes revisions to the BioMAT tariff that would achieve the same result as PG&E's Alternative Proposal. *See* AECA Opening Comments, p. 4 (proposing that an Applicant would be required to submit a completed Interconnection Study prior to being eligible to execute a BioMAT PPA).

<sup>7/</sup> BAC Opening Comments, p. 5.

<sup>8/</sup> PG&E's approved tariff for interconnection pursuant to Rule 21, p. 32; PG&E's approved tariff for interconnection pursuant to the WDT, p. 481.

<sup>9/</sup> Clean Coalition Opening Comments, p. 6.

<sup>10/</sup> *Ibid.*

include any time to build any necessary system upgrades in order to physically interconnect the project. This work can vary significantly depending on the project's location and may comprise the largest portion of the overall timeline to interconnect.<sup>11/</sup>

In sum, neither Clean Coalition nor BAC have put forward any substantial evidence to support their statements that BioMAT projects could reliably achieve COD within the required 24-months without a valid study at PPA execution, even assuming a permitted 6-month extension. PG&E's historical experience with similar projects suggests that the BAC Proposal would result in substantial project viability risk and likely lead to disputes over termination of BioMAT PPAs.

### **III. CHANGES TO THE BIOMAT TARIFF WILL NOT EXPEDITE INTERCONNECTION TIMELINES**

PG&E agrees with BAC and the Clean Coalition that the BAC Proposal does not seek to make changes to Electric Rule No. 21 ("Rule 21") or Wholesale Distribution Tariff ("WDT") procedures.<sup>12/</sup> However, BAC claims that its proposal would expedite interconnection for BioMAT projects proposing to use forest fuels.<sup>13/</sup> Nothing in the record supports BAC's claim. While both the BAC Proposal and PG&E's Alternative Proposal may allow for projects to more easily obtain and maintain a BioMAT queue position, neither proposal would expedite the timeline between the submittal of an application for interconnection and project interconnection. In fact, as Southern California Edison Company ("SCE") notes, the BAC Proposal could have the unintended effect of delaying or jeopardizing the viability of projects.<sup>14/</sup>

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<sup>11/</sup> PG&E Opening Comments, p. 4 (Table 1).

<sup>12/</sup> BAC Opening Comments, p. 3; Clean Coalition Opening Comments, p. 3.

<sup>13/</sup> BAC Opening Comments, p. 3.

<sup>14/</sup> SCE Opening Comments, p. 8.

PG&E's interconnection timelines are governed by Rule 21 and the WDT, not by the PPA. Any proposed changes to interconnection tariffs should be addressed in an appropriate proceeding<sup>15/</sup> with notice to all interconnection stakeholders, not just bioenergy developers seeking participation in a single procurement program. The Commission must therefore reject the Agricultural Energy Consumers Association's ("AECA") proposed modifications to existing Rule 21/WDT procedures regarding security deposit requirements.<sup>16/</sup>

The Clean Coalition also recommends that the Commission designate an Energy Division lead to oversee BioMAT procurement and act as an arbiter in dispute resolution.<sup>17/</sup> First, it is unclear what Clean Coalition means by "oversee BioMAT procurement." PG&E and the other IOUs administer the BioMAT program in compliance with Commission-approved tariffs and PPAs. Similarly, the IOUs administer interconnection according to Commission and FERC-approved tariffs. These governing documents, which are established in rulemakings with the extensive involvement of stakeholders, ensure transparency, fairness, and compliance with federal and state law. Any parties taking issue with an IOU's implementation of the approved BioMAT, Rule 21, or the WDT that cannot be resolved through bilateral negotiations may follow the procedures established by the Commission<sup>18/</sup> or FERC, as applicable, to seek redress. In short, there is no need for a special arbiter to resolve such disputes.

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<sup>15/</sup> PG&E agrees with SCE that Rule 21 and WDT changes can only be made through the appropriate regulatory processes at the Commission and the Federal Energy Regulatory Commission ("FERC"), respectively. SCE Opening Comments, p. 2.

<sup>16/</sup> AECA Opening Comments, pp. 3-4.

<sup>17/</sup> Clean Coalition comment, pp. 6-7.

<sup>18/</sup> For example, parties may raise concerns through a motion in an open proceeding or complaint pursuant to the Commission's Rules of Practice and Procedure.

#### **IV. CHANGE TO ELIGIBILITY REQUIREMENTS SHOULD BE LIMITED TO FOREST BIOMASS UTILIZING HIGH HAZARD FUEL**

PG&E's Alternative Proposal would limit the BioMAT Tariff's modification of the interconnection study requirement to Category 3 facilities using HHZ fuel in light of the Governor's Emergency Proclamation.<sup>19/</sup> Similarly, the Clean Coalition supports limiting the BAC Proposal to high hazard fuel projects, at least initially.<sup>20/</sup> To the extent Commission adopts either the BAC Proposal or PG&E's Alternative Proposal, PG&E urges the Commission to consider such changes a "pilot" exemption applicable only to BioMAT projects utilizing HHZ fuels, subject to evaluation by the Commission. This pilot approach is supported by BAC and the Clean Coalition.<sup>21/</sup> Any such pilot approach should allow an IOU to seek termination or changes to the exemption via a Tier 2 advice letter filing if the exemption results in negative or unforeseen consequences.<sup>22/</sup>

#### **V. PARTIES AGREE THAT PRE-APPLICATION REPORTS CAN PROVIDE USEFUL INFORMATION TO BIOMAT DEVELOPERS**

PG&E's Alternative Proposal includes requiring BioMAT project developers utilizing HHZ fuel to submit an interconnection Pre-Application Report ("PAR") in order to join the BioMAT queue and to submit a revised PAR every six months while in the queue.<sup>23/</sup> Both Clean Coalition and BAC agree that such PARs can provide useful information in the absence of a valid interconnection study.<sup>24/</sup>

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<sup>19/</sup> Governor Brown's October 30, 2015 Emergency Proclamation on Tree Mortality.

<sup>20/</sup> Clean Coalition comments at p. 8

<sup>21/</sup> BAC comments at p. 7; Clean Coalition comments at p. 8 (recommending a pilot approach in the alternative).

<sup>22/</sup> PG&E Opening Comments, p. 8.

<sup>23/</sup> *Id.*, p. 9.

<sup>24/</sup> BAC Opening Comments, pp. 5, 8; Clean Coalition Opening Comments, p. 5.



A valid interconnection study, such as a System Impact Study, certainly provides more accurate cost information than a PAR. However, the BAC Proposal would explicitly require an interconnection study to be completed, yet allow the study to become invalid while allowing the participant to join the BioMAT queue, suggesting that an invalid study can still be relied upon with some degree of certainty. PG&E disagrees that an invalid or expired interconnection study should be relied upon by any party, given the highly dynamic nature of the grid and the interconnection queue.

Because the PAR is inherently a more high-level report, developers should be more cognizant of its limited value and consequently the commercial risks they are accepting by executing a PPA without a valid study. Further, because the risk of increased speculative behavior is high whenever a developer is allowed to execute a PPA without a valid interconnection study, PG&E's Alternative Proposal includes other reasonable safeguards, including an increased BioMAT application fee, collateral posting requirements, and a one-year lockout for the project's future participation in the BioMAT program in the event the PPA is terminated.<sup>25/</sup>

## **VI. BAC'S PROPOSED TARIFF REVISIONS SHOULD NOT BE ADOPTED BECAUSE THEY ARE UNENFORCEABLE**

BAC proposes revisions to the BioMAT Tariff that would require an Applicant to "complete an updated interconnection study upon acceptance of a PPA."<sup>26/</sup> In contrast to PG&E's Alternative Proposal,<sup>27/</sup> BAC's tariff language would provide no specific timeline or deadline to submit a complete interconnection study. Neither the tariff nor the PPA should be

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<sup>25/</sup> PG&E Opening Comments, pp. 9-11.

<sup>26/</sup> BAC Opening Comments, p. 9.

<sup>27/</sup> PG&E Opening Comments, App. B, p. B-3, PPA Section 2.4.3.

vague or ambiguous about required actions or milestones. Accordingly, if the Commission elects to change the BioMAT tariff to provide an exemption to BioMAT developers utilizing HHZ fuel, it should adopt PG&E's Alternative Proposal and PPA revisions, which make clear and enforceable the timeline for submitting an interconnection study.

## **VII. CONCLUSION**

For the reasons set forth in this reply and in PG&E's opening comments, PG&E respectfully asks the Commission to adopt PG&E's Alternative Proposal if it determines that a special exception is needed for BioMAT projects utilizing high hazard fuel.

Respectfully submitted,

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June 3, 2016

## **VERIFICATION**

I, David Gabbard, am an employee of Pacific Gas and Electric Company, a corporation, and am authorized to make this verification on its behalf. I have read the foregoing *PACIFIC GAS AND ELECTRIC COMPANY'S REPLY COMMENTS ON ALJ RULING REQUESTING SUPPLEMENTAL COMMENT ON INTERCONNECTION ISSUES RELATED TO THE BIOENERGY FEED-IN TARIFF, dated June 3, 2016.*

The statements in the foregoing document are true to my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 3rd day of June, 2016 at San Francisco, California.

*/s/ David Gabbard*

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**DAVID GABBARD**

Director, Electric Generation Interconnection  
Pacific Gas and Electric Company